



*Financial Affairs Committee*  
**February 20, 2004**

**1. Participants**

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|------------------------------------|--|
| --Brice Bledsoe, Contra Costa WD   | --Ron Jacobsma, FWUA (call-in)         |
| --George Senn, CVPWA               | --Ara Azhderian, San Luis WD (call-in) |
| --Russell Harrington, Westlands WD | --Kathryn Kitchell, City of Roseville  |
| --Lynn Hurley, SCVWD               | --Chase Hurley, Panoche WD             |
| --Mike Hagman, TCCA                | --Cheryl Pritchett, SCVWD              |
| --Frances Mizuno, SLDMWA           | --Alan Thompson, EBMUD                 |
| --Anthea Hansen, Del Puerto WD     | --Stan Kant, SCVWD                     |
| --Vicken Kasarjian, NCPA           | --Jerry Toenyes, NCPA                  |
| --Larry Bauman, USBR               | --Barry Mortimeyer, USBR               |
| --Tom Ruthford, USBR               | --Deb Dietz, WAPA                      |

**2. Opening Business**

The February meeting was held in at the ACWA Offices, 910 K Street in Sacramento. The meeting began at 9:30 and concluded at 11:30. The meeting was devoted to discussing PUE issues Post 2004. The agenda was reviewed and approved. The next meeting will be held on March 17 at the ACWA Offices.

- 3. Post 2004 PUE Issues: Funding Sources for CAISO Charges.** Brice suggested that the discussion would center on two sub-issues: Use of Receipts authority (or Appropriations) and water rates (how future PUE costs will make their way into the water rates). The discussion regarding how these PUE costs would be reflected in the water rates was deferred pending additional analysis on the nature of the costs.

Barry handed out two documents--extracts from the 2005 President's Budget and draft bill language that would authorize the Federal power marketing administrations to annually direct fund hydropower-related operations and maintenance (O&M) activities of the Bureau of Reclamation. The extracts from the President's Budget included provisions under the Western Area Power Administration and the Bureau of Reclamation that would authorize WAPA to use receipts derived from the sale of power and related resources to finance Reclamation's O&M costs in the WAPA service area that are allocated to the power function for repayment.

Barry said that the language in the President's budget would get us what we need, authority to use WAPA receipts to pay Reclamation O&M charges that otherwise would have to be paid in advance by the water users, as Reclamation does not and will not have such funding available in its 2005 and beyond appropriations. He said that Reclamation (Washington DC

level) does not want to fund activities (through appropriations) that are WAPA-related power expenditures.

Jerry Toenyes asked whether WAPA would have enough room in its Preference power customer revenue stream to cover the wheeling and other CAISO charges that will be allocated to the water users. In other words, would WAPA, if it had use of receipts authority, have sufficient receipts to cover the Preference power customer direct funding credits as well as the PUE power related costs. Deb Dietz said that it would be hard to tell at this time but after crediting the Preference power customers for their direct funding advances, funding would probably be tight, as it would take as much as \$15 million (\$5 million to \$15 million) in some hydrologic years to fund the PUE costs.

Brice commented that our goal is to have the use of receipts language survive in the President's Budget. He said that we need to engage in a technical fashion to tweak the language to ensure that it does what we need, is strictly limited to how the receipts can be used, does not constrain us, and does not harm others. Lynn suggested that we should first work toward getting the right language into the 2005 President's Budget and then work toward getting permanent language in the next year's appropriations bill.

Jerry noted that the current language in the President's Budget relates to use of receipts authority by WAPA rather than Reclamation. He suggested that we should try to work toward getting use of receipts authority for Reclamation. Larry commented that Reclamation has not been successful in the past in obtaining use of receipts of authority, but did not think that Reclamation would be opposed to having such authority. Brice asked Jerry if the Preference power customers would push for Reclamation to have use of receipts authority. Jerry said that the Preference power customers have differing views on Reclamation having use of receipts authority. He said that NCPA would be supportive if the use of the receipts authority was narrowly defined, closely controlled, and not available for other Reclamation expenditures such as R&D expenditures, which is currently allowed in the President's Budget extracts. Jerry also commented that getting the NCPA membership to back the use of receipts authority for Reclamation might be difficult because of the current situation where the water users are not supporting the draft PUP policy, but he thought that support probably could be obtained if the authority was very specific as to how it can be used.

It was suggested that Jerry approach NCPA to find out if its Washington lobbyists could provide us direction as to how to move proposed use of receipts language through the political system. It was also suggested that maybe lobbyists representing member water districts could get together with the NCPA lobbyists to work out a strategy for moving our proposed language forward. Jerry agreed to approach NCPA to discuss some arrangement with its Washington DC lobbyists where maybe the water contractors (possibly through the CVPWA) could share in the costs of pressing forward with use of receipts language.

It was agreed that the group would work to develop a strategy for supporting the current language in the 2005 President's Budget (with amendments if necessary) to get us through 2005. Permanent language for future years would be prepared at a later date for inclusion in the 2006 appropriations bills.

It was also agreed that we would develop a white paper for presentation to the CVPWA Board of Directors on March 9, that would be premised on all water users being at risk for the payment of post 2004 PUE charges, would outline all PUE charges that the water users would be subject to, would be broad based, and would outline our courses of action or options. Deb Dietz handed out a draft paper that she had prepared that will form the basis for our white paper. She agreed to work with Barry Mortimeyer to prepare a draft white paper during the next week or so the group's consideration. Lynn, Russ, Mike, and Brice agreed to review Deb and Barry's draft to ensure it will adequately inform the CVPWA Board of Directors and CVPWA members as to the necessary actions needed to provide a funding mechanism for the post-2004 PUE charges.

#### **4. Action Items.**

--Jerry Toenyes to approach NCPA relative to its lobbyist involvement and possible cost sharing. It is hoped that he can get an estimate of the magnitude of costs that would be associated with a lobbying effort.

--Deb and Barry to develop a white paper for review by the FAC team. The primary purpose of the white paper is to inform the CVPWA Board and member districts as to the specific issues associated with the post-2004 PUE charges and the importance of coming up with a strategy to provide WAPA and/or Reclamation with use of receipts authority.

--Need to develop a time-line to determine a deadline for engaging Reclamation as to how the post-2004 PUE charges will flow through the water rates. Larry will do some what-if analyses using 2004 charges to see how the future costs would make their way into the rates. We will discuss this issue further.